

STANDARD PROCEDURE

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KENNAMETAL INC. GLOBAL ANTI-CORRUPTION AND ANTI-BRIBERY PROCEDURE

SUBJECT/TITLE:

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This page is a record of all revisions of the Procedure or Work Instruction.

For convenience, the nature of the revision is briefly noted under remarks. Please review the attached procedure to assure complete understanding of all relevant changes, additions, or deletions. Unless otherwise stated, this revision should be implemented upon receipt.

REV	BY	PAGES	REMARKS
00	DWG	1-10	Original Release.
01	PJW	1-11	Revision
REV	ISSUED BY	APPROVED BY	APPROVAL DATE
00	Roxanne Turner	David W. Greenfield	08/01/2007
01	Paul J. Ward	Kevin G. Nowe	11/01/2013

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GLOBAL ANTI-CORRUPTION AND ANTI-BRIBERY PROCEDURE

I. SCOPE

The Global Anti-Corruption And Anti-Bribery Procedure (the "Procedure") establishes guidelines and expectations for all directors, officers and employees of Kennametal Inc., its subsidiaries and affiliated companies (the "Company" or "Kennametal") and its agents, sales representatives, consultants, distributors, contractors and all other third parties that represent Kennametal on a global basis, with no exceptions (the "Third Parties").

II. INTRODUCTION

A. Commitment to Compliance and Responsibility of Employees.

It is the Company's practice to comply with all laws, rules and regulations of all countries in which it operates. It is the personal responsibility of all directors, officers, employees and Third Parties to acquaint themselves with the legal standards, restrictions and responsibilities applicable to them and to conduct themselves accordingly. Neither Kennametal, its officers, directors and employees nor its Third Parties will use bribes, improper payments, or inducements of any kind to obtain or retain business, or to gain an unfair business advantage.

Every Kennametal director, officer and employee and all Third Parties are required to read, understand and comply with this Procedure and to contact the Office of the General Counsel in a timely manner to resolve any questions or concerns regarding a proposed action **prior to proceeding with any questionable transaction.**

B. Global Anti-Corruption Laws/Focus on FCPA.

Global anti-corruption laws make it illegal to engage in any form of bribery. The laws of some countries focus exclusively on the bribery of government officials (sometimes known as "foreign officials" or "public officials"), while other laws prohibit both the bribery of government officials and commercial bribery (i.e., the bribery of "private officials" in non-governmental organizations). Global anti-corruption laws also

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require companies to keep books, records and accounts in reasonable detail, which accurately and fairly reflect their foreign and domestic transactions.

As a United States ("U.S.") based company with business operations in the United Kingdom ("UK"), the Company's Code of Business Ethics and Conduct includes a commitment to observe the standards of conduct set forth in the U.S. Foreign Corrupt Practices Act of 1977 (the "FCPA"), the UK Bribery Act of 2010 ("UK Bribery Act") and related legislation, as well as local anti-corruption, currency and other laws in all countries in which the Company operates (collectively, the "Global Anti-Corruption Laws"). This Procedure focuses primarily on requirements of the FCPA and provides only general references to the anti-corruption laws of other countries in which Kennametal operates and in which employees, officers, directors and Third Parties live and work. While all individuals are also subject to the prohibitions provided for in anti-corruption laws in the individual countries in which they live and work, such laws may not apply universally to all employees in the same way as the FCPA and the UK Bribery Act.

The importance of complying with the Global Anti-Corruption Laws is highlighted in those countries where the risk of bribery and corruption is high. That list of countries includes those in which (i) government and private sector officials are frequently engaged in commercial and financial activities, (ii) corruption and related problems are common, and (iii) legal standards and enforcement policies are developing, but are often unclear and inconsistently applied. In such circumstances, special vigilance is important to ensure compliance with the Global Anti-Corruption Laws.

III. RESTRICTIONS ON COMPENSATION AND BUSINESS COURTESIES

A. General Prohibition on Efforts to Influence Business Decisions.

1. Payments or "Anything of Value": Except as otherwise provided in the Procedure, **no offers, payments, promises to pay or authorizations to pay any money, make any gifts or provide anything of value may be made by or on behalf of the Company to** any employees, agents, representatives or officials of any organization, whether a private company, a government-owned (or even partially owned) company, a political party or any other entity, organization or individual. While this Procedure broadly prohibits providing anything of value to representatives of private and government organizations to influence a business decision, the FCPA and the laws

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of many other countries scrutinize more closely payments or efforts to provide anything of value to government officials.

The following acts are prohibited when dealing with officials of private companies and government entities:

- (i) Influencing any act or decision of such person or party in his, her or its official capacity;
- (ii) Inducing such person or party to do or omit to do any act that violates that person's or party's lawful duty; or
- (iii) Inducing such person or party to use influence with a foreign government or organization to affect or influence any act or decision of such government or organization.

A "government official" is an officer or employee of a foreign government (government outside of the U.S.) or any department or agency thereof, or of a public international organization, or any person acting in an official capacity for or on behalf of any of them. For example, an employee of a state owned or public sector enterprise could be a "government official" for purposes of the Global Anti-Corruption Laws.

2. Level of Knowledge Required for a Violation: Actual knowledge of a violation is not required to violate the Global Anti-Corruption Laws. If an individual knows or has reason to know that an illegal act is likely to occur, there may be a violation of one or more of the Global Anti-Corruption Laws. Deliberate avoidance of knowledge, willful blindness or conscious disregard of such knowledge may result in both the Company and the individual being deemed to have knowledge of the unlawful transaction.

B. Facilitation Payments.

A "facilitation payment" (**also known as a "grease payment"**) is a small payment to a government official or clerk, which is primarily made for the purpose of expediting or ensuring the performance of a routine, non-discretionary government function. Facilitation payments are illegal under some anti-corruption laws, and **Kennametal therefore prohibits all facilitation payments, except in the limited circumstances listed in this document.** A few examples of situations where

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facilitation payments are common in order to expedite a function, yet prohibited include: (i) obtaining permits or travel visas; (ii) connecting electricity or telephone service; and (iii) obtaining police protection.

The only **exception** to the prohibition on facilitation payments is in the event of a personal emergency, where there is an immediate threat to the health, safety or security of an employee or other Company representative or to their family members. In such a situation, the payment and the reason for making it must be reported as soon as reasonably possible to the employee's supervisor or to the Company representative's supervisor and to the Office of the General Counsel. Under the accounting provisions of the FCPA, a facilitation payment must be properly recorded in the Company's books and records in order to assure compliance with the law.

C. Gifts and Hospitality.

Kennametal discourages providing gifts and hospitality, such as the payment of hotel, transportation, meal and entertainment expenses ("Hospitality"), to both government and private company officials. However, under limited circumstances, certain Hospitality and nominal gifts may be made available. All such Hospitality and nominal gifts must be:

- Directly related to the Company's business;
- Reasonable in amount and provided in good faith;
- Offered only in connection with the promotion, demonstration or explanation of the Company's products or services or the execution or performance of a contract with a foreign government or agency thereof;
- Permitted under the local law of the applicable country; and
- Infrequent and carefully monitored as the cumulative effect of frequent Hospitality and nominal gifts may give rise to the appearance of improper conduct.

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Hospitality and nominal gifts must comply with the following additional guidelines:

- In the case of visits or similar activities by officials or employees, written invitations and itineraries must be prepared and sent to the government officials to enable them to consult with and obtain approval from their superiors and to give them the option to decline;
- Refreshments, meals and mementos must be of reasonable value and otherwise consistent with the terms of this Procedure;
- Working luncheons and dinners must be of reasonable value and meals and entertainment for goodwill purposes must be reasonable, consistent with local business practices and properly recorded in compliance with the Kennametal expense reporting/reimbursement procedure; and
- Gifts bearing the Company logo or other items must be of small monetary value and distributed for promotional or commemorative purposes.

Cash gifts or payments of any kind are not permitted under any circumstances.

Finally, proper internal Company approvals must be secured before incurring such expenses and internal reporting and document retention procedures must be followed. **It is important to note that there is no minimum value that creates an exception under these laws, which means that even an expenditure of small monetary value could violate the Global Anti-Corruption Laws.**

IV. ACCOUNTING PROVISIONS

All Kennametal bank accounts and records must be kept in reasonable detail to accurately and fairly reflect both foreign and domestic financial transactions. No undisclosed or unrecorded fund or account may be established for any purpose. Examples of recordkeeping issues that could result in a violation of the Global Anti-Corruption Laws include:

- Records that fail to record improper transactions (e.g., off-the-book transactions); and

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- Records that are falsified to disguise certain aspects of improper transactions.

A system of accounting controls must be maintained that provides reasonable assurances that:

- Transactions are executed in accordance with management authorization;
- Transactions are recorded so as to permit preparation of accurate financial statements and to maintain accountability for assets;
- Access to assets is permitted only in accordance with management authorization; and
- Appropriate auditing functions are conducted.

V. TRANSACTIONS WITH THIRD PARTIES

Under certain circumstances, Kennametal and its directors, officers and employees can be held liable for the acts of Third Parties who provide anything of value to improperly influence a decision when acting on behalf of or in connection with its representation of the Company or its products or services.

For that reason, it is important to conduct due diligence on such Third Parties both prior to engagement and during the relationship. Kennametal must not disregard or ignore facts that indicate a likelihood that a Third Party may be improperly providing anything of value or otherwise acting improperly on the Company's behalf. In order to minimize this risk, rigorous evaluation standards must be considered before entering into any Third Party relationship.

Kennametal's due diligence process requires that all Third Parties must meet the following standards and the Company official who is responsible for selecting the Third Party must retain sufficient documentation to demonstrate compliance with the process:

- (i) Reputable - requisite experience and expertise;

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- (ii) Credible - obtain business references;
- (iii) Financially stable - adequate resources to fulfill commitments;
- (iv) Commitment to comply with law - Third Party agrees to comply with all applicable laws and to not make improper payments; and
- (v) Acknowledgment - Execute an acknowledgement of and agreement to comply with this Procedure.

Any payment to a Third Party must be consistent with the amount of work performed and not at a level that could induce a Third Party to perform improper acts or that could create a perception that improper acts have occurred. Payments or the provision of anything of value to Third Parties must be reviewed carefully in accordance with the above guidelines prior to being issued and must be referred to the Kennametal Office of the General Counsel if the review uncovers any unfavorable information or “red flags”.

In addition, appropriate and reasonable efforts must be made to educate Kennametal’s Third Parties of the compliance requirements under this Procedure, as well as records retention requirements. The obligation to assure compliance with this clause shall vest with the Company official who is responsible for selecting the Third Party and managing the business relationship.

VI. OBLIGATIONS TO REPORT

A. Employees: Employees must immediately report any suspected or actual violations (whether or not based on personal knowledge) of applicable law or regulations to the Kennametal Office of the General Counsel. Once an employee has made a report, the employee also has an obligation to update the report as new information comes into his or her possession. Under no circumstances shall the reporting of any such information serve as a basis for retaliatory actions against the employee making the report if that employee has acted in good faith.

B. Third Parties: All Third Parties are expected to report any suspected or actual violations (whether or not based on personal knowledge) to either their Kennametal business contact or the Kennametal Office of the General Counsel.

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C. Kennametal Office of the General Counsel: For reporting purposes, the Kennametal Office of the General Counsel can be contacted at:

Office of the General Counsel
1600 Technology Way
Latrobe, PA U.S.A. 15650-0231
Phone: (724) 539-4031; Fax: (724) 539-3839
E-mail: K-corp.ethics@kennametal.com

Alternatively, you may call the toll-free HELPLINE (1-877-781-7319), which is managed by the Kennametal Office of Ethics & Compliance and which can be utilized on an anonymous and confidential basis.

VII. PENALTIES

Significant penalties for both the Company and individuals could result from violations of the Global Anti-Corruption Laws. The following are examples of possible penalties under the FCPA and the UK Bribery Act:

FCPA

Companies

- Fines of up to US\$2 million per violation
- Debarment from participation in government contracts
- Loss of export privileges
- Appointment of an independent compliance monitor
- Accounting Provisions – Fines of up to \$2.5 million per violation

Individuals

- Fines of up to US\$100,000 per violation
- Imprisonment up to 5 years per violation
- Accounting Provisions – Fines up to US\$10 million & 10 years imprisonment

UK Bribery Act

Companies

- Unlimited financial penalties
- Debarment from public contracts
- Asset confiscation proceedings

Individuals

- Unlimited financial penalties
- Imprisonment up to 10 years

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VIII. KENNAMETAL REFERENCES

- Code of Business Ethics and Conduct
- Global Records Management Procedure
- Non-Retaliation and Reporting Obligation Procedure
- Conflict of Interest Guide
- Gifts and Business Courtesies Guide
- Authorization for Expenditure Procedure

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